Supreme Court of the United States

OCTOBER TERM, 1960

No. 666

C. K. WILLIAMS & CO., INC.,

Petitioner,

v.

ARMOUR RESEARCH FOUNDATION OF ILLINOIS INSTITUTE OF TECHNOLOGY, AND MINNESOTA MINING & MANUFACTURING COMPANY,

Respondents.

CROSS PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

C. K. Williams & Co., Inc. (Williams), a Defendant-Appellee-Appellant in the proceedings below, hereby petitions this Court for a writ of certiorari directed to the United States Court of Appeals for the Seventh Circuit to review the judgment of that Court entered July 12, 1960, insofar as it affirmed that part of the judgment of the United States District Court for the Eastern District of Illinois entered April 1, 1959 which dismissed Williams' Amended Second Counter-claim for alleged violation of the antitrust laws of the United States by the respondents

(hereinafter called plaintiffs), Armour Research Foundation of Illinois Institute of Technology (Armour) and Minnesota Mining & Manufacturing Company (3M), Plaintiffs-Appellants-Appellees in the proceedings below, and that part of the District Court's judgment which, taken with the findings of fact and conclusions of law on which it was based, held that plaintiffs were not guilty of misuse of Camras patent No. 2,694,656 in suit in said action.

I. OPINIONS BELOW.

The opinion of the Court of Appeals, dated July 12, 1960, and its opinion dated August 30, 1960, on petitions of Armour and Williams for rehearing, are reported in 280 F. 2d at pages 499 and 508, respectively. Copies of the opinions are annexed to Armour's petition filed in this Court under No. 553 on November 28, 1960 and therefore are not appended hereto. The opinion of the District Court is reported in 170 F. Supp. 871 and is printed at pages 3515-3556 of Plaintiffs' Appendix (PA).

II. JURISDICTION.

The jurisdiction of this Court is invoked under 28 U. S. C., Section 1254(1). This petition is filed within the time provided by 28 U. S. C. § 2101(c), as extended to December 28, 1960, by an order of the Honorable Justice Tom C. Clark entered November 25, 1960.

III. QUESTIONS PRESENTED.

1. Whether the anti-trust laws have been violated by the arrangements and course of action carried on by the plaintiffs continuously since 1946, by which Armour, a "not-for-profit" patent holding and research corporation operating a restrictive licensing system that dominates the whole magnetic recording industry, and 3M, a corporation domin-

and in the manufacture and sale of tape products, through restrictive agreements and other suppressive acts in concert, have attempted to give and in large measure have succeeded in giving exclusively to 3M the manufacture and sale of the tape recording media and materials therefor required for the magnetic recording machines of the American industry.

2. Whether plaintiffs' agreements of 1947 and 1954 hereinafter described constituted illegal restraints upon competition by binding Armour until 1971, and possibly until 1987, not to grant licenses under existing or future Armour patents, inventions or technology, and not to consent to the assignment, transfer or replacement of pre-existing licenses, with respect to products of specified classes committed exclusively to 3M, including magnetic tape recording media and materials useful for the manufacture of such media.

3. Whether plaintiffs' 1954 agreements and the Armour magnetic recorder license agreements made pursuant thereto constitute an unlawful tying arrangement.

4. Whether the plaintiffs or either of them have attempted to monopolize in violation of the Sherman Act by the attempted uses of Armour-owned patents to fix the prices, specifications and markets of the products of 3M's principal competitors in magnetic tape and concurrently to eliminate all other competition by litigation.

5. Whether plaintiffs have violated the anti-trust laws or otherwise created cause for the granting of relief to petitioner by their attempted enforcement of a patent procured through the use of false patent applications, sham interference proceedings and untrue representations in the United States Patent Office.

6. Whether plaintiffs have misused the patent in suit in violation of the anti-trust laws by their attempts, continuing in this Court, to extend the purported monopoly of

a patent claim for a coated magnetic impulse record member for the suppression of Williams' business in magnetic iron oxides which are commodities sold for many uses other than as a component of such a record member.

IV. STATUTES INVOLVED.

The pertinent statutory provisions are printed in Appendix A annexed hereto.

V. STATEMENT OF THE CASE.

Proceedings Below.

An action for alleged infringement of Camras patent No. 2,694,656 for Magnetic Impulse Record Member, Magnetic Material and Method of Making Magnetic Material was brought by Armour against Williams at 3M's request on May 27, 1955. 3M was later joined as a plaintiff to reply to counterclaims and by reason of its interests in the litigation under its agreements with Armour (PA 66, 3515, 3545). A suit was also filed by Armour against Technical Tape Corporation charging infringement of said patent by the manufacture and sale of recording tape and was consolidated and tried with the case against Williams.

In December, 1957, Williams filed its Amended Second Counterclaim against Armour and 3M (Defendants' Appendix (DA) 16-40, 63), charging them with misuse of said patent and with having entered into agreements and engaged in a course of conduct in violation of the antitrust laws to the injury and threatened injury of the public generally and of Williams, a manufacturer of iron oxides for various uses, including magnetic recording media in particular. The counterclaim sought damages and an injunction.

After trial the District Court held the patent invalid and

dismissed the complaint but ruled adversely to Williams on the antitrust and misuse issues and also dismissed the counterclaim. The Court of Appeals affirmed the judgment but said with respect to the District Court's findings on the counterclaim that "There was considerable evidence which would have justified contrary findings * * *." (Armour Petition Appendix B (APA "B"), p. 13.) It also said regarding the issues raised by the counterclaim: "We have considered the possibility of sending the case back to the trial court for additional findings on such issues. However we have finally determined that there are sufficient findings and conclusions before us so that we can now pass on such issues."

Williams filed a petition for rehearing on the anti-trust issues or, in the alternative, for remandment for additional findings on such issues, which petition was denied on August 30, 1960, as was a petition by Armour for rehearing on the patent issues. In its petition Williams urged, as it had in its brief below and as we will hereinafter point out, that from the unquestioned documentary evidence and undisputed or incontrovertibly established facts it fully appears, through application of the principles of authoritative decisions, particularly those of this Court, that Armour and 3M have misused the patent in suit and violated the anti-trust laws, and that the issues on this phase of the case, as distinguished from those on the patent phase, are therefore primarily issues of law rather than of fact.

General Statement of Matters Involved.

It is not disputed that Armour is the dominant research organization and patent holder in the field of magnetic recording and the licensor of practically the entire magnetic recording machine industry in the United States; nor is it questioned that 3M is the dominant company in the manu-

facture and sale of recording media (tape, etc.) and by far the largest producer of magnetic tape in the country.

There is, further, no question but that by their 1947 and 1954 agreements (PA 1966-1996, DA 639-641 and PA 1997-2031) Armour not only granted to 3M a license with respect to the field of such media and of materials for making such media (which license in one of the 1954 agreements was called exclusive), under the patent in suit and any and all other patents, applications and inventions which Armour then owned or might own in the future (through 1970 and potentially until 1987), but agreed that it would not grant any additional licenses in this field during the terms of the Armour-3M agreements, and would not consent to the assignment, transfer or replacement of any of its pre-existing licenses insofar as they granted any right with respect to this field.

Thus all of Armour's patents and inventions and all of its future developments and technology so far as they relate to this field were and still are committed to 3M to the exclusion of all competitors, present and future for a very long period of time.

These agreements and the conduct of the parties to them were designed—as Williams alleged and it is believed proved by uncontroverted evidence—to foreclose virtually all competition in this field and to give 3M a sweeping monopoly in supplying media for a new and fast-growing industry of great importance to the public.

Development of Plaintiffs' Plan and Actions to Monopolize.

As found by the District Court (PA 3546-7), magnetic recording work in the United States had been concentrated upon wire recorders through the end of World War II. In 1945-46 wire recorders developed for military use were being adapted for production for civilian

use and for operation at low speeds with the use of wire of high coercive force, which was manufactured to serve as a basic recording medium with Armour recording equipment.

Armour by then had obtained patents for a high frequency bias technique that is used universally for the magnetic recording of sound (PA 754-5, 1128), and had established under these patents a licensing system which by 1947 covered twenty-nine (29) companies (PA 1992) under restrictive license agreements (*e. g.*, PA 2627, 2640).

In 1945 publications in this country described the successful wartime development in Germany of magnetic tape recorders which utilized high frequency bias similar to the American wire recorders but employed as their recording media flexible plastic tapes coated with finely divided magnetic iron oxide. These recorders had been used successfully in radio broadcasting and other professional work requiring high performance quality, and for military field use (Finding 18, PA 3547).

Early in 1946, the Brush Development Company introduced its "Soundmirror", the first commercial home tape recorder, to the American market. This was a low cost machine using a paper tape coated with low cost black magnetic iron oxide. It operated at a tape speed of 7½ inches per second, which became the standard speed of American tape recorders (Finding 21, PA 3547).

Meanwhile, Indiana Steel Product Company developed a tape recorder designed to use a powder coated tape of high coercive force for high frequency response at a low record speed, and in September, 1945, Indiana brought this recorder to Armour seeking assistance in its adaptation to commercial use (Findings 22-23, PA 3547-8). Armour offered to cooperate if given exclusive rights to Indiana's work (DX 536), proposing in exchange to pro-

vide "the market for the new recording medium through the Armour licensing program and by means of past and future technical development of recording machines adapted to the new recording medium" (DA 538).

Upon Indiana's refusal to tie itself exclusively to Armour and with the marketing of the Brush recorder early in 1946, Armour set out to make a tape recorder of its own, planning also to bring Indiana under an Armour license agreement and, through its licensees, to see "our own methods of recording and reproducing used in a machine adapted for their tape or a tape that we might develop" (DA 547-553).

As the District Court found (Findings 26-34), Armour immediately produced for such tape a magnetic iron oxide of high coercive force "to match the Indiana tape coercive force values and to conform to Armour recording standards," using for this purpose a method which had been described previously in a publication of the U. S. Bureau of Mines. Quantities of such oxide were delivered without restriction to 3M for 3M's uses.

Armour had applied in June, 1946, for a patent, issued in 1950 as No. 2,528,261 (PA 3643), claiming as its invention a magnetic recorder combining a conventional sound recording head with wire or tape having a high coercive force (PA 3519, 3550). With the advent of that recorder, as the District Court found, there arose the first great need for magnetic recording tapes of high coercive force and low permeability (PA 3519-20).

In November 1946, 3M entered into negotiations with Armour for "a joint venture where Minnesota Mining would manufacture the tape for the Armour licensees" (DA 555).

These negotiations led to plaintiffs' license agreement of May, 1947 (PA 1966), which bound Armour not to grant additional licenses for tape manufacture and conditioned any 3M royalty obligation upon the ultimate procurement of an Armour patent covering 3M's products. They also led into activities through which the machines of the licensed recorder manufacturers became tailored for the use of 3M tape (DA 577-8, 813).

In this way, once the machines were so standardized, the tape market was limited to tape similar to 3M's, for, as the District Court found, magnetic recording media are manufactured to fit the recorders, there being a practical tie-in between the recording machine and the media to be used with it, and a magnetic recorder is not complete nor operative to give its intended performance until the mechanism is supplied with media having the form and magnetic characteristics of the media it was designed to use (PA 3546).

After entering into their 1947 agreement, both Armour and 3M filed patent applications which became involved in interference proceedings in the Patent Office. The manner in which these applications and interference proceedings were prosecuted and utilized as a part of what Williams alleges was an unlawful conspiracy between these parties will be pointed out in Section VII of this petition.

Plaintiffs in March 1954, after the success of their maneuvers in the Patent Office seemed to be assured, consummated revised agreements which let Armour take the desired patent but at the same time subjected the future conduct of its licensing system to more sweeping restraints in the interests of 3M (DA 639-41, PA 2016).

For the long term of the 1954 agreements, possibly even until 1987 (PA 2014), Armour is bound not to grant to others any license "to manufacture, have manufactured,

use, sell, lease or otherwise dispose of in the United States" either any "record member" (tape, etc.) or material (oxides, etc.) of the classes committed to 3M, and also not to consent to the assignment, transfer or replacement of any of its pre-existing licenses insofar as they grant rights with respect to such product (PA 2416). Further, as expressed in 3M's letter of March 18, 1954 (DA 639-641) confirming an agreement of March 9, 1954, Armour is required to "include in all of its subsequent license agreements relating to magnetic recording a provision specifically excluding from the license grant the right to make, use, sell or lease in the United States magnetic record material and or magnetic record members" of the classes committed to 3M.

Pursuant to those restraints, Armour since 1953 has entered systematically into license agreements with recorder manufacturers, typified by the Federal agreement (PA 2732) which invoke all the existing and future Armour patents collectively as the basis for license grants which purport to license the manufacture, sale and use of magnetic recorders, but from which are expressly excluded all rights to make or sell or even to use media or materials for making media. Thus the post-1953 Armour licensees, now including numerous important recorder manufacturers, are required to pay for the right to use any or all of Armour's patents and technology in magnetic recorders and yet to risk infringement charges on these same patents in order to make, sell or use media necessary for the completion and operation of their recorders, except as they may acquire rights to media through dealings with 3M.

Upon the issuance of the patent in suit in November, 1954, 3M promptly asserted this patent and later the Armour combination patent No. 2,728,261, "acting in this matter on behalf of the Armour Research Foundation"

(DA 653, 655), in attempts to impose upon the larger two of its tape competitors license agreements by which it would fix the prices, specifications and markets of their products (DA 662-81). Upon their refusals of such restraints (DA 166, 639, 642), 3M caused Armour to bring this litigation against Williams, knowing Williams to be the supplier of oxides used in the manufacture of their products (DA 523).

VI. GROUNDS OF JURISDICTION OF DISTRICT COURT

The District Court had jurisdiction under 28 U. S. C. § 1338(a) (patent actions) and 28 U. S. C. § 1337 (anti-trust actions).

VII. REASONS FOR GRANTING THE WRIT

Inasmuch as this is a cross-petition relating to matters of defense to the patent in suit and also to affirmative relief sought by way of counterclaim in the infringement suit, it is submitted at the outset that if Armour's petition heretofore filed under No. 533 should be granted, the present petition should surely also be granted so that all issues pertinent to the Armour petition would be before the Court. The issues raised by the counterclaim and the evidence in support of it would in that event have a direct bearing on the question of whether the patent, even if it were held valid, could be enforced against Williams, as well as on the question of whether the infringement suit was brought as a part and in furtherance of a conspiracy and scheme to restrain trade and create a monopoly to the injury of the public and of Williams, entitling Williams to affirmative relief.

However, since the strictly patent phase of the case involves only the usual issues of validity and infringement of a particular patent, turning essentially on questions of

fact on which the District Court and the Court of Appeals have concurred in holding against the plaintiffs after thorough consideration of the evidence relating to those issues, it is believed to be very clear that there are no valid grounds for granting a writ on Armour's petition.

The anti-trust issues, on the other hand, hinge largely on questions of law and this phase of the case involves important matters of public policy affecting many other persons, not merely these litigants. It was urged on behalf of Williams in the Court of Appeals that the District Court had failed to give effect to the applicable decisions of this Court and of other federal courts, but the Court of Appeals nevertheless affirmed the District Court's dismissal of the counterclaim, although indicating some reluctance to do so, as above pointed out. It thus, as we shall show, "decided a federal question in a way in conflict with applicable decisions of this court;" and, insofar as the plan of monopolization here involved differs from those involved in prior decisions of this Court, "decided an important question of federal law which has not been, but should be, settled by this court" (Rule 19(b)).

Therefore there are cogent reasons for granting a writ to review this separate and independent part of the case; and granting it would in no sense call for reciprocal granting of Armour's petition since the narrow and personal issues to which the latter is directed have been determined by the proper tribunals and involve no questions which need be passed upon by this Court.

1. The Issues Involve a Manifestly Unreasonable Plan of Restraint and Monopolization Which Has Sweeping Effects in Industry and Upon Interests of the Public.

From plaintiffs' admissions, their written agreements in evidence and other unquestioned documentary evidence of their activities, it is clear that the plaintiffs have combined and used their powers to restrain competition and to monopolize in a plan which unreasonably affects the interests of practically all the producers and users of magnetic recorders in this country and the whole structure of competition and future development in fast-growing fields of great importance to the public.

There are some 71 major manufacturers of magnetic recording machines operating within the Armour licensing system (DA 703). None appears to be outside it. An accumulation of more than 250 patents is now used in the system, and new patents and patent applications are continually added to it, both from within Armour's organization and by outside acquisitions (DA 17, 41, 703). By reason of license restrictions imposed upon the manufacturers in their original agreements with Armour, which invoke all the existing and still-unborn Armour patents as the basis for restricted license grants (DA 707-16, 754-5, 781), and the additional restraints required in Armour's conduct of its licensing system by its agreements with 3M, the whole magnetic recording manufacturing industry is now either deprived of, or is threatened with loss of, all freedom to produce, sell or use any recording media of the nature of magnetic tape, or any material for the manufacture of such media, to the extent that any claim of any existing or any future Armour patent may be held or thought to apply thereto.

The industry dominated by this restrictive system embraces a vast complex of businesses and services relating

to magnetic recorders. Its products serve a multitude of uses in homes, schools, vehicles, industries and offices, in fields of communications, education, entertainment and transportation, and for various industrial, governmental, military, scientific and other purposes (Pleadings, DA 19, 42, 49).

The recorders serving these uses, in order to be complete or operative for their intended performance, must be supplied with media manufactured with a particular physical form and particular magnetic characteristics to fit the recorders (Findings 16, PA 3546; Pleadings, DA 19, 42, 49). Through plaintiffs' activities in the early post-War years, the Armour-licensed manufacturers of the American industry were induced to design their machines for the use of 3M tape (DA 577-8, 813). This early setting of built in recorder characteristics made the growing use of American tape recorders dependent upon supplies of media having characteristics like those of the 3M tape. Tape not made to fit the machine settings cannot be sold (DA 175-6).

In a competitive economy, competition in such media would normally arise to fulfill the needs of the Armour licensees and of the purchasers and users of their machines. From the beginnings of the American industry, however, the plaintiffs have combined and used their dominant powers in concerted actions designed to take advantage of the practical tie-in that exists between machines and media and to extend 3M's original favored position into a long-term monopoly over all the tape media and materials required for the use of the industry's machines. Their plan, ever since 1946, has made use of restrictive agreements, groundless patent applications and interferences, license boycotts, atempted price- and product-fixing arrangements, and patent infringement suits—all with the one consistent goal of perpetuating a 3M monopoly from which Armour, a "not-for-profit" corporation supposedly

operating for the public interest, would collect its benefits in media royalties paid by 3M over and above the royalties already collected by Armour from the licensed recorder manufacturers.

The two pioneer companies in home tape recorders, Brush Development Company and Indiana Steel Products, were subjected early, through threats or suit, to Armour licenses which severely restricted their rights to compete (DA 547-554, 575, 583, 733-5), after which they suffered business deaths.

Large numbers of important companies seeking licenses or assistance for businesses in fields of magnetic tape, film or oxides have been turned away by Armour and 3M (*e.g.*, DA 573, 580-2, 600-1, 634, 637, 648-9, 652, 654, 689-700).

There has been practically a total license boycott against all business with respect to tape or like media and materials for making them. This boycott has reached into the control of Armour's assets and the conduct of its licensing system so far that Armour since 1954 has been powerless to grant to its recorder licensees any rights to make, sell or use tape media or material even for their own machines.

There are now well over 2,000,000 American tape recorders in service in the hands of the public (DA 705)—all presumably produced and sold by Armour licensees with license under all the Armour patent holdings. Plaintiffs' concerted plan and attempts to destroy all competition in the manufacture and sale of the tape required by the makers and users of these machines thus involve the interests not only of scores of manufacturers but also of millions of users of magnetic recorders in preserving competitive sources of supply for their tape needs.

We submit that this plan and course of conduct as a whole is manifestly in violation of Sections 1 and 2 of the

Sherman Act and Sections 3 and 16 of the Clayton Act, and of principles well established by decisions of this Court.

2. Plaintiffs' Agreements of 1947 and 1954 Effected Unreasonable Restraints of Licensing and Competition in Violation of the Anti-Trust Laws, Within the Principles of U. S. v. Besser, 343 U. S. 444, and Related Cases.

Article XIX of the agreement of May 19, 1947, between Armour and 3M provided that, with certain inconsequential exceptions, "Armour * * * will not grant additional licenses to manufacture tape magnetic record members in the United States or on an element of said tape magnetic record members * * *" (PA 1981); and in Article XVIII of the agreement of March 25, 1954, Armour covenanted that it would not grant to anyone else "a license to manufacture, have manufactured, use, sell, lease or otherwise dispose of in the United States" either any "record member" (tape, etc.) or material (*e. g.* magnetic iron oxide) of the types licensed to 3M, and also that it would not consent to the transfer or replacement of any of its pre-existing licenses insofar as they granted any rights with respect to such products.

Armour was bound to the agreement until December 31, 1970, and potentially for a period up to 1987 (PA 2014); and the license to 3M included all Armour's existing and future patents, patent applications and inventions relating to magnetic record material or magnetic record members, or any element thereof (PA 1997, *et seq.*).

By these arrangements Armour, although the owner, would be bound by agreement during this long period not to grant any license under its present or future patents or inventions in this field without the consent of 3M, which was thus, in effect, given a veto power over Armour's exercise of its patent rights. The result was that all pres-

ent and potential competitors were foreclosed from access to and competitive use of an industry-dominating accumulation of patent rights and technology, to create an industry-wide monopoly in recording media in one already dominant producer.

We submit that these agreements are manfestly unreasonable and unlawful and that they are contrary in principle to a line of cases beginning with *U. S.* v. *Besser*, 96 F. Supp. 304 (E. D. Mich., 1951), affirmed by this Court in 343 U. S. 444 (1952), in which an agreement by licensors, who were joint owners of patents, that they would not grant other licenses without the consent of the existing licensees, was declared illegal.

Since the *Besser* case, the courts have held covenants against the granting of additional licenses to be illegal where they create restraints on competition (*e. g. Mason City Tent & Awning* v. *Clapper*, 144 F. Supp. 754, 767 (W. D. Mo., 1956) and *Clapper* v. *Original Tractor Cab*, 165 F. Supp. 565, 576, aff'd 270 F. 2d 616 (C. A. 7—1959).

The application of a restrictive agreement "to patents not yet issued and to inventions not yet imagined" is an evil which was pointed out in *U. S.* v *National Lead Co.*, 63 F. Supp. 513, 523-4 (D. C., S. D., N. Y.—affirmed by this Court in 332 U. S. 319—see p. 341), and which was referred to in *U. S.* v. *Parker Rust-Proof Co.*, 61 F. Supp. 805, 806, 810-11 and 813 (E. D. Mich.) and *U. S.* v. *General Electric Co.*, 80 F. Supp. 989, 1005 (S. D., N. Y.). The comments of this Court in *Transparent Wrap Machine Corp.* v. *Stokes & Smith*, 329 U. S. 637, 647-8, also recognize the vice of such an arrangement between parties who are in position to prevent competition.

While each of these cases involved other grounds of decision also, and in some of them the question of future inventions and improvements arose in connection with

grant-back provisions, they all support the proposition that when the purpose and effect of an agreement whereby one party acquires the exclusive control of the other party's inventions and improvements over a long period of time is to eliminate present and potential competition, as is the case here, and where the parties are dominant in the industry, as they are here, the arrangement is violative of the Sherman Act.

3. By Their Agreements and Actions Plaintiffs Brought About an Unlawful Tie-in Between the Licensed Use of Armour's Recording Patents and the Use of Media Procured Through 3M.

As already pointed out herein, the tape recording machines of the Armour-licensed industry, which provide the only use and market for magnetic tape, came to be manufactured and sold in great numbers with circuits and settings suiting them for their intended performance only with tape having the characteristics of the 3M tape.

Notwithstanding these facts, which are undisputed, the post-1953 Armour recorder license agreements (PA 2732) have provided, in keeping with the 1954 agreements between Armour and 3M that they grant no license for the making, sale or use of magnetic record members or material and shall not be construed as granting any such license by implication. They undertake, however, to license the making, use and sale of "licensed machines", which they define as magnetic recorders that embody or make use of any of the "licensed inventions". Licensed inventions in turn are defined as those of all Armour patents relating to magnetic recorders; and magnetic recorders are defined as machines or apparatus designed for recording, etc., by the use of a magnetic record member.

Obviously the post-1953 licensee does not obtain a com-

plete and operable license through his dealings with Armour. He is told he may make, sell and use an Armour recorder but at the same time is told he has no license to make, sell or use the media necessary for the completion and operation of the recorder. By reason of the 1954 agreements, 3M alone holds Armour's permission to make, sell or use tape or like media, and 3M only holds the power to let others use the patents insofar as they apply to either the making or the use of such media.

The effect, therefore, is the same as if the licenses to the machine manufacturers were granted on an express condition that any act of selling or actually using a complete magnetic recorder fitted with the required tape or similar media is subject to 3M's approval and control.

3M's policy has been to refrain from granting either oxide or tape licenses (DA 582, 697). So in practice the recorder licensee can get the permission he needs only by obtaining his required tape or media material from 3M.

The tie-in effect of plaintiffs' agreements upon the post-1953 Armour licensee is the same whether the medium to be used with his machine is itself patented or not patented. It is brought about by the force and restrictive uses of the whole bundle of Armour's patents, including combination and process patents. Thus, it violates the principle established in *Ethyl Gasoline Corporation* v. *U. S.*, 309 U. S. 436, 459 (1940).

Other pertinent cases involving somewhat similar tie-ins are *Radio Corp.* v. *Lord*, 282 F. 2d 257, 261 (C. C. A. 3, 1928) and *IBM* v. *U. S.*, 298 U. S. 131 (1936).

The use of tying arrangements to foreclose competitors from any substantial market is held unreasonable *per se* and a violation of public policy. *Northern Pacific* v. *U. S.*, 356 U. S. 1, 6, 8, 8-11 (1958); *International Salt* v. *U. S.*, 332 U. S. 392, 395 (1947).

4. The Attempts to Impose Upon 3M's Principal Competitors Restrictive Agreements Containing Price, Product and Market Controls Constituted an Unlawful Attempt to Monopolize.

After procurement of the patent in suit through untrue representations to the Patent Office (concerning which the District Court leniently said (PA 3543) that "Camras either was not, at the time of the application, the expert on the preparation of oxides that he wanted the Patent Office to believe, or he did in fact materially misrepresent the prior art") and by sham interference proceedings (which the Court of Appeals characterized as "in the nature of shadow boxing"—C. A. Op., p. 8), 3M sought to use it as the basis of proposed license agreements with the larger two of its competitors (Reeves Soundcraft Corporation and Audio Devices, Inc.) imposing suppressive and plainly illegal price, product and market controls over their businesses beyond any lawful use of any patent (see Soundcraft draft DA 62, *et seq.*).

The refusals of those agreements were followed by this litigation against Williams attempting to cut off the source of magnetic iron oxides supplied to competing media manufacturers and to many other users (PA 1184-5, 1505-7). 3M's attempt to impose the agreements was continued after the institution of this litigation (DA 170).

While space does not permit describing these suppressive proposals in detail (see DA 147-168), it is deemed clear that their provisions were contrary to such cases as *U. S. v. U. S. Gypsum Co.*, 333 U. S. 364, 384-5 (1948) and *Newburgh Moire Co. v. Superior Moire Co.*, 237 F. 2d 283 (C. A. 3, 1956).

That they were made with the specific intent to monopolize is evident, not only from their almost unbelievably

monopolistic character and from Armour's earlier minutes showing 3M's purpose to have "the market maintained in an orderly fashion" (DA 609), but also from memoranda made by Sounderaft's executive (Rogers) contemporaneously with meetings by which 3M's top executive (McKnight) attempted to bring Sounderaft under them (see DA 521-8). Among other things, Rogers recorded:

> "* * * McKnight came right out and said that if they couldn't make this thing work on a Price Control License basis, they were not going to be put in the position of having people undersell their prices. He said they would reduce their prices down so low that nobody could exist! He suggested we come along, or do it the hard way!" (Dx. 2-L, DA 523.)

The District Court evidently recognized the inherent illegality in these attempts but apparently was influenced by the fact that they were rejected by Sounderaft and Audio, its opinion stating (170 F. Supp. 871, 887) "the fisherman was at the water's edge, had made his cast, but no fish took the bait." The Court apparently overlooked the fact that Section 2 of the Sherman Act makes an "attempt to monopolize", as well as consummated monopolization, a violation of the Act (*U. S. v. Aleoa*, 148 F. 2d 416, 431 (C. A. 2, 1945)).

5. Plaintiffs' Attempts to Enforce a Purported Monopoly Acquired Through Misleading and Sham Proceedings in the Patent Office Violate Public Policy and the Anti-Trust Laws.

After entering into their 1947 agreement, both Armour and 3M filed patent applications, each claiming the subject matter of the patent in suit as a patentable invention of its own creation. The Armour applicant (Camras) had made the claimed magnetic oxide by methods disclosed in the literature (Findings 26 to 29, PA 3548-9). Smith;

the applicant of one of the 3M applications, had followed the literature and "did not believe that he had made any discovery or done anything new in making the oxides." (Findings 35-36, PA 3550.) 3M filed its patent applications to "block any gaps which might be left by Armour", knowing that Armour too was trying to patent the oxide and planning that if interference developed it "could be handled on a perfectly friendly basis" (DA 464; CA Op., p. 12).

Plaintiffs' separate pressures upon the Patent Examiner resulted ultimately in the declaration of interferences which were carried on for nearly two years, through the proceedings described by the Court of Appeals as "in the nature of shadow boxing", before being terminated privately by concessions of priority in 1954.

Meanwhile, plaintiffs used those sham proceedings to defeat, through misleading representations, motions brought by a third party to dissolve them for unpatentability (PA 1134, DA 469, PA 2414-5). They also used them to bring into the Armour application, thence into the patent in suit, claims originating from the 3M applications and additional claims which they proposed in the course of the proceedings (*e.g.*, PA 3272-3, 3288-9).

The patent in suit, which the District Court described as "stillborn" (PA 3542), resulted, in addition, from untrue representations of fact made directly in the Armour application, which the District Court found "were and are incorrect" (PA 3543). Although that Court stated that it could not say that the patentee was guilty of *wilful* misrepresentation, it did say, as above noted, that he either was not expert "or he did in fact materially misrepresent the prior art in the oxide field • • •"

However, the District Court did not give full import to the effect of the evidence and of its Findings 35 and 36 (PA

3550), which show that the 3M patent applications (which, with the interference, were used as a part of the scheme by which the claims which ultimately went into the patent in suit were secured) must have been fraudulent applications; and, although the Court of Appeals indicated it was aware of the falsity in those applications and mentioned the fact that, upon plaintiffs' private termination of the interference proceeding, Armour agreed to restraints upon the future conduct of its licensing system (CA Op., p. 13), that Court also failed to go further into the question of whether the plaintiffs by their conduct in the Patent Office and their attempts to enforce the purported monopoly of the resulting patent were violating the anti-trust laws and public policy.

This question, we submit, is one of great importance to the public as well as to Williams. If such false patent applications and sham interference proceedings could be used with impunity to secure a patent monopoly a new avenue would be available for circumvention of the principles set forth by this Court in *Precision Instrument* v. *Automotive Maintenance*, 324 U. S. 806 (1948), *Hazel-Atlas* v. *Hartford Empire*, 322 U. S. 238, 250 (1944), *Hartford Empire* v. *U. S.*, 323 U. S. 386 (1945); and *Keystone Driller* v. *General Excavator*, 290 U. S. 240 (1933). In the *Precision Instrument* case, this Court said at p. 816:

> "The far reaching social and economic consequences of a patent * * * give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct * * *."

The actions of the plaintiffs in their initiation and conduct of the Patent Office proceedings were part and parcel of their combination and conspiracy to create and maintain over a long period of time an unlawful monopoly and to prevent legitimate competition in the manufacture and sale

of magnetic recording tape and materials; and they should be considered in their relation to the inception and carrying out of the conspiracy.

6. Plaintiffs' Attempts to Suppress the Williams Business in Magnetic Iron Oxides by a Patent Claim for a Coated Impulse Record Member Is an Unlawful Use of the Patent in Suit.

Attempts have been carried on by the plaintiffs since 1955, and are continued by Armour's petition filed in this Court under No. 553, to use claim 26 of the patent in suit—a claim for a coated magnetic impulse record member—for the suppression of the business of Williams in high coercive force magnetic iron oxides which Williams sells in the form of bulk powders to a wide variety of customers for use not only in the manufacture of coated impulse recording media but also in many other important products. These oxides are sold, for example, for uses in printing inks and carbon paper, for classified uses of the Armed Services, for the manufacture of magnetic belts impregnated with oxide, and for various other uses in the electromagnetic fields (PA 1184-5, 1505-7).

This attempted extension of claim 26 of the patent into a monopoly over commodities of commerce plainly outside the limited scope of the claim flies directly in the face of a long line of decisions of this Court. *Leitch* v. *Barber*, 302 U. S. 458 (1938); *Morton Salt* v. *Suppiger*, 314 U. S. 488 (1942); *Mercoid* v. *Mid-Continent*, 320 U. S. 661 (1944). We submit that this is a clearly unlawful abuse of the patent and is a part of the pattern of conspiracy hereinabove outlined.

7. Williams Has Been Damaged by Plaintiffs' Anti-Trust Law Violations.

It is manifest that but for the plaintiffs' monopolistic agreements and practices and the repressive effect of their groundless suit, Williams would have retained much business which it lost and would have had a great increase in its sales of hydrogen-reduced oxides (the kind commonly used for magnetic recording tape). The evidence shows that the value of its sales of such oxides dropped substantially in a period of rapid business growth (PA 1507-1511). In addition, Williams has been put to great expense as a result of plaintiffs' suit on a patent which they must have known to be invalid and the procurement and uses of which have been in furtherance of their conspiracy and illegal combination. Thus the damage element of Williams' case is clearly present.

CONCLUSION

For the foregoing reasons it is respectfully submitted that this petition for a writ of certiorari should be granted.

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APPENDIX A.

Statutes Involved.

Sections 1 and 2 of the Sherman Antitrust Act (15 U. S. C. §§ 1 and 2) and Sections 4 and 16 of the Clayton Anti-trust Act (15 U. S. C. §§ 15 and 26), reading in part as follows:

"§ 1. Trust, etc., in restraint of trade illegal; exception of resale price agreement; penalty

Every contract, combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal * * *."

"§ 2. Monopolizing trade a misdemeanor; penalty

Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor. * * *"

"§ 15. Suits by persons injured; amount of recovery

Any person who shall be injured in his business or property by reason of anything forbidden in the anti-trust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. * * *"

"§ 26. Injunctive relief for private parties; exception

Any person, firm, corporation, or association shall be entitled to sue for and have injunctive relief, in any court of the United States having jurisdiction over the parties, against threatened loss or damage by a violation of the anti-trust laws * * *."